

## MEDIA RELEASE

# Axiata Expands its Regional Footprint through the Acquisition of Nepal's Number One Mobile Operator, Ncell

**Kuala Lumpur, 21 December 2015** - Axiata Group Berhad (Axiata) announced the expansion of its regional footprint and entry into the Nepal market through the acquisition of its number one mobile operator, Ncell Private Limited (Ncell).

Through its wholly-owned subsidiary, Axiata Investments (UK) Limited, Axiata has entered into a conditional sale and purchase agreement with TeliaSonera UTA Holdings B.V. and SEA Telecom Investments B.V. for the 100% acquisition of Reynolds Holdings Limited (Reynolds). The acquisition of Reynolds for the purchase price of USD1.365 billion plus customary adjustments at closing, effectively secures Axiata an 80% equity interest and controlling stake in Ncell.

Nepal is one of the emerging economies with steady GDP growth in Asia. With a mobile penetration of unique subscribers of 51%, the country has experienced a mobile subscriber growth at an average of 18% from 2012-2014. Ncell is the number one operator in Nepal with a stronghold of close to 57.5% revenue market share and 48.8% subscriber market share.

The unique mix of a controlling stake of the number one player in a healthy, growing market at an attractive valuation presents Axiata both a rare and an opportunistic expansion of its footprint in South Asia.

Post-acquisition, Axiata will have contiguous presence and reach in five key countries across South Asia. Axiata's combined footprint in South East Asia and South Asia will cover a total population of 1.77 billion<sup>1</sup> and further solidify the Group as one of the leading mobile operators in the region with over 280 million customers from 268<sup>2</sup> million today.

---

<sup>1</sup> Total population of 8 countries within the Axiata footprint (excluding Pakistan) Source: The Economist Intelligence Unit.

<sup>2</sup> As of September 2015

## **RATIONALE FOR THE PROPOSED ACQUISITION:**

### **I. Strategy: Rare and Opportunistic Footprint Expansion**

In line with Axiata's position as a regional telecom champion in Emerging Asia. Consistent with Axiata's merger and acquisition (M&A) priorities of an opportunistic footprint expansion, being both very attractive strategically and financially for the Group.

Meets all of Axiata's M&A criteria of a) brownfield investment b) management control c) growth market d) attractive valuation e) earnings accretive and f) within target footprint.

### **II. Market: Favourable Nepal Telecom Market**

Nepal's economy has grown by a compound annual growth rate (CAGR) of 4.2%<sup>3</sup> over the past six years with a young population where an estimated 68% of its total 28 million is below the age of 35. Its mobile industry landscape is essentially a two-player market with a mobile penetration of unique subscribers of 51.1% and mobile broadband penetration of 21.5%, with 33.1% CAGR in internet subscribers from 2012 to 2014.

### **III. Company: High Quality Asset and No. 1 Player**

Ncell is the number one player in the market with 13 million subscribers representing 48.8% of the subscriber market share. It is a strong brand in Nepal, providing best-in-class services and customer care. Ncell has delivered revenue CAGR of 19.9% between financial year (FY<sup>4</sup>) 2013 to 2015, with attractive earnings before interest, tax, depreciation and amortization (EBITDA) margin of 62.2% in FY2015. Its return on invested capital (ROIC) was over 70% in FY2015.

Ncell is the largest foreign direct investment in Nepal. Ncell also holds a sufficient and good mix of spectrum portfolio. This includes paired spectrum of 8MHz of 900MHz, 11MHz of 1800MHz and 10MHz of 2100MHz spectrum.

---

<sup>3</sup> Real GDP growth from 2010 to 2014, Source: Central Bureau of Statistics of Nepal

<sup>4</sup> Note: Financial Year ending mid-July 2015

#### IV. **Synergies: Group Synergy Opportunities**

Leveraging on Axiata's operating track record in low-ARPU emerging markets, synergies are expected in several areas. In particular, the overseas foreign workers (OFW) segment, where there are approximately one million Nepalese in Malaysia alone, represents opportunities in intra-ASEAN international calling and mobile-remittance. This would capitalise on Axiata's strength in the OFW segment of the South Asian markets. Axiata expects to also apply its emerging market expertise in network and technology rollout, marketing, product development, human capital building and procurement.

#### V. **Valuation: Attractive Valuation**

The implied last-twelve-months enterprise valuation over EBITDA of 5.0x<sup>5</sup> including controlling premium in Ncell is an attractive valuation compared to 5.7x and 8.4x for South Asia and ASEAN peers, respectively.

#### VI. **Financials: Immediate Accretion**

Ncell would be consolidated with immediate accretion to Axiata's financials. Based on Axiata's FY14 pro forma revenue, EBITDA and profit after taxation and minority interests (PATAMI), Ncell would provide an uplift of approximately 9%, 14% and 11%, respectively. Acquisition will not affect Axiata's dividend policy.

#### VII. **Portfolio: Better Balanced Portfolio**

Increases resilience of the Group with a more diversified portfolio, where Ncell would contribute more than 9%, 13% and 19% to the Group's FY14 pro forma revenue, EBITDA and PATAMI, respectively, and would have been one of the largest PATAMI contributors to Axiata. Ncell's strong cashflow generation with an operating free cashflow of over NPR22 billion (USD217 million) per annum, would further support Axiata's dividend paying policy.

---

<sup>5</sup> Last Twelve Months (LTM) as of July 2015

## **Commentary**

Tan Sri Azman Hj. Mokhtar, Chairman of the Board said, "Axiata has over the years established a good track record in its M&As, delivering and implementing value-enhancing deals. The Board has reviewed this transaction in some detail and believes it to be a rare opportunity to own and control a sizeable enough asset that is a value-accretive transaction with attractive cash yields. The Board is confident that Ncell will bring significant positive financial impact to the Group."

President & Group Chief Executive Officer of Axiata, Dato' Sri Jamaludin Ibrahim said, "The scarcity of a controlling stake and very sizable, high-quality assets within our target region with a strong number one market leadership position, makes Ncell a rare opportunistic asset to come by."

"We are also encouraged by the attractive valuation of this acquisition. Its implied trading multiple from the purchase price including controlling premium is 5.0x which is below comparable companies within the region and precedent transactions."

"Consolidating Ncell to Axiata's FY14 pro forma, the new asset would be immediately accretive to the Group, contributing approximately 9% to revenue and 19% to PATAMI and would make it one of the highest contributors to earnings for the Group. This also increases the resilience of Axiata with a more diversified portfolio given that Ncell would be a very sizeable part of the Group and lessen our traditional high dependency on the two largest operating companies. Ncell's strong cashflow generating ability would provide further support to the Group's dividend policy."

Jamaludin added, "As with all our investments, we see our entry into Nepal as a long-term strategic move for the Group. At the same time, Axiata is also committed to playing a major part in the development of the country by offering high-speed data connectivity and products in par with its economic progress. Being a responsible corporate citizen and major contributor to the country's economy is key to our long-term vision."

With its broader goal of 'Advancing Asia' by bringing together people, connectivity and technology, Axiata is a committed long-term investor, contributing significantly to the national development and advancement of the countries it operates in.

Axiata enters the Nepal market with a local partner holding 20% direct local shareholding in Ncell, as required under local law. The partner is an independent party who is familiar to the Group and well versed with the telecommunications industry and regulatory environment in Nepal.

The Proposed Acquisition in Ncell is subject to the approval of Axiata shareholders and Bank Negara Malaysia amongst others. Subject to the conditions being obtained and approved, the transaction is expected to close by first half 2016.

J.P. Morgan Malaysia Ltd. has been appointed as the International Financial Adviser to Axiata for the Proposed Acquisition while CIMB has been appointed as the Principal Adviser to Axiata for the Proposed Acquisition.

**-END-**

#### **About Axiata**

Axiata is one of the largest Asian telecommunications companies. Axiata has controlling interests in mobile operators in Malaysia, Indonesia, Sri Lanka, Bangladesh and Cambodia with significant strategic stakes in India and Singapore.

The Group's mobile subsidiaries and associates operate under the brand name 'Celcom' in Malaysia, 'XL' in Indonesia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia, 'Idea' in India and 'M1' in Singapore.

The Group, including its subsidiaries and associates, has over 260 million mobile subscribers in Asia. The Group revenue for 2014 was RM18.7 billion. The Group provides employment to over 25,000 people across Asia. Axiata's vision is to be a regional champion by 2015 by piecing together the best throughout the region in connectivity, technology and talent, uniting them towards a single goal: Advancing Asia.

The Group has expanded its portfolio of business which now includes a communications infrastructure solutions and services company called "edotco" and a digital services company, Axiata Digital Services.

Axiata was awarded the Frost & Sullivan 2009, 2010, 2011, 2012, 2013 and 2014 Asia Pacific ICT Award for Best Telecom Group and the Telecom Asia Best Regional Mobile Group 2010 and 2011 for its operations in multiple Asian markets.

#### **About Ncell**

Present across all the 75 districts of Nepal, Ncell is the leading GSM operator in the country, with over 12.8 million mobile subscriptions (as of July 2015) and 2015 sales of over USD 500 million (NPR 57.728 billion). Ncell is Nepal's biggest tax payer and has over 520 employees.

Since October 2008, Ncell has been part of TeliaSonera, a leading European telecommunication company present in 17 markets, including the Nordic and Baltic countries, the emerging markets of Eurasia, and Spain.

#### **Issued By:**

Corporate Communications, Axiata Group Berhad, Corporate Headquarters, Axiata Tower, 9 Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur

#### **Media Contacts**

**Axiata:** Gowri Mohanadas, Corporate Communications, Mobile: +60192063782, Email: [gowri@axiata.com](mailto:gowri@axiata.com)

**Ncell:** Sanju Koirala, Corporate Communications Director, Mobile: +9779802225597. [sanju.koirala@ncell.com.np](mailto:sanju.koirala@ncell.com.np).

**Telia:** [press@teliasonera.com](mailto:press@teliasonera.com), Fixed-Line: +46 77 1775830.